



Arnold Schwarzenegger  
Governor

July 8, 2010  
22M:387:da:9011

Mr. Sal Vaca, Director  
City of Richmond Employment and Training Program  
330 25<sup>th</sup> Street  
Richmond, CA 94804

Dear Mr. Vaca:

WORKFORCE INVESTMENT ACT  
85-PERCENT PROGRAM REVIEW  
FINAL MONITORING REPORT  
PROGRAM YEAR 2008-09

This is to inform you of the results of our review for Program Year (PY) 2008-09 of the City of Richmond Employment and Training Program's (CRET) Workforce Investment Act (WIA) 85-Percent program operations. We focused this review on the following areas: Workforce Investment Board and Youth Council composition, local program monitoring of subrecipients, management information system/reporting, incident reporting, nondiscrimination and equal opportunity, grievance and complaint system, and Youth program operations including WIA activities, participant eligibility, and Youth services.

This review was conducted by Mr. Dave Ajirogi and Mr. Jim Tremblay from October 14, 2008 through October 17, 2008.

Our review was conducted under the authority of Sections 667.400 (a) and (c) and 667.410 of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by CRET with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding program operations for PY 2008-09.

We collected the information for this report through interviews with CRET representatives, service provider staff, and WIA participants. In addition, this report includes the results of our review of sampled case files, CRET's response to Sections I and II of the Program On-Site Monitoring Guide, and a review of applicable policies and procedures for PY 2008-09.

We received your responses to our draft report on May 6, 2010, and reviewed your comments and documentation before finalizing this report. Because the CRETP adequately addressed all the findings cited in the draft report, no further action is required and we consider these issues resolved.

## **BACKGROUND**

The CRETP was awarded WIA funds to administer a comprehensive workforce investment system by way of streamlining services through the One-Stop delivery system. During our review, CRETP expended very little of the funds allocated for PY 2008-09. For PY 2007-08, CRETP was allocated: \$494,030 to serve 121 adult participants; \$511,620 to serve 125 youth participants; and \$289,578 to serve 75 dislocated worker participants.

For the quarter ending June 30, 2008, CRETP reported the following expenditures for its WIA programs for PY 2007-08: \$404,000 for adult participants; \$435,900 for youth participants; and \$239,328 for dislocated worker participants. In addition, CRETP reported the following enrollments for PY 2007-08: 122 adult participants; 123 youth participants and 84 dislocated worker participants. We reviewed case files for 32 of the 123 participants enrolled in the WIA youth program as of October 14, 2008.

## **PROGRAM REVIEW RESULTS**

While we concluded that, overall, CRETP is meeting applicable WIA requirements concerning grant program administration; we noted an instance of noncompliance in the following areas: competitive procurement, WIB composition, reasonable and allowable costs, work permits, grievance and complaints, post testing, and completion documents. The findings that we identified in these areas, our recommendations, and CRETP's proposed resolution of the findings are specified below.

### **FINDING 1**

#### **Requirement:**

WIA Section 123(2)(A)(iii) 128(b) states that the local board for each local area shall identify eligible providers of youth activities by awarding grants or contracts on a competitive basis, based on the recommendations of the youth council and on the criteria contained in the State plan, to the providers to carry out the activities.

20 CFR 664.405(a)(4) states that the requirement in WIA Section 123 does not apply to the design framework component, such as services for intake, objective assessment and the development of individual service strategies, when these services are provided by the grant recipient/fiscal agent. The Department of Labor Training and Employment Guidance Letter (TEGL) number 9-00 transmits guidance for conducting competitive youth services procurements.

- Observation:** We observed that CRETP did not competitively procure the provision of youth services. The CRETP stated that the City of Richmond issued a resolution authorizing RichmondWORKS to provide all youth services since the passage of WIA. However, no documentation of the resolution was provided. The CRETP's Five Year Plan extension for PY 2007-08 did not address the provision of youth services by RichmondWORKS. However, CRETP's Five Year Plan extension for PY 2008-09, submitted on December 4, 2008, indicates that CRETP will now conduct a request for proposal for the provision of youth services but it did not provide any timelines.
- Recommendation:** We recommended that CRETP provide the Compliance Review Office (CRO) with a corrective action plan (CAP) and timeline, to comply with WIA's competitive youth services requirements. We also recommended that the CAP explain how the competitive procurement will be conducted in a manner that provides for a full and open competition as required in TEGl number 9-00.
- CRETP Response:** The CRETP stated that there was a document in the City of Richmond archives designating RichmondWORKS as the sole provider of all WIA formula program services. The CRETP has since discovered this to be incorrect and have now instituted a viable action plan to bring CRETP into compliance with TEGl 9-00. The CRETP goal is to have an Older Youth Services subcontractor committed by March 2010. In accordance with the CRETP's Procurement Policy and TEGl 9-00 CRETP began the procurement process by September 2009 and made their selections and awarded contracts by January 31, 2010. CRETP is waiting for approval from their WIB to award the contracts by March 31, 2010.
- State Conclusion:** The CRETP has provided copies of WIB minutes from May 11, 2010 for RFQ identifying eligible providers of youth services by awarding grants or contracts on a competitive basis mentioned above. We consider this finding resolved.

## FINDING 2

- Requirement:** OMB Circular A-87, Attachment A, Section (c)(1)(a)(2) states that a cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. In determining reasonableness of a given

cost, consideration shall be given to whether the cost is of a type generally recognized as ordinary and necessary for the performance of the Federal award.

WIAD03-10 provides a Cost Item Matrix that identifies those costs that are considered allowable or unallowable. Item 27 identifies entertainment costs as an unallowable cost under all OMB Circulars.

**Observation:**

We found an instance of questionable cost in relation to the provision of cultural enrichment trips that according to CRETP contributes to leadership training and independent thinking. Specifically, CRETP used WIA funds on October 31, 2008 to pay for food and tickets for 35 participants and seven chaperones to attend "Fright Night" at Marine World in Vallejo for a cost of \$45 per person and an additional \$25 stipend for each youth participant. The total cost for this event including the stipends amounted to \$2,765.

Staff of CRETP explained that youth participants learned from the shared experiences of the cultural enrichment trip and that they promoted leadership skills. However we found no documentation or justification showing how attendance at a Halloween celebration meets the intent of WIA.

**Recommendation:**

We recommended that CRETP provide a reasonable explanation for the use of WIA funds to attend a Halloween party. If CRETP is unable to provide a reasonable explanation for these WIA expenditures, we recommended that CRETP back out these expenditures from the WIA account and charge them to a non-federal funding source.

**CRETP Response:**

The CRETP stated they considered it to be erroneous to view the various cultural enrichment trips they engage in with WIA enrolled youth, both in-school and out-of-school, as simply "entertainment". The CRETP further stated that it was important for them to identify an activity or trip that provided leadership development, team building, and independent thinking, and provided a safe and sane activity for youth on Halloween. The CRETP described the crime and violence in the Richmond area as the need to engage the youth in safe activities and an alien environment to break down barriers and promote independent thinking.

**State Conclusion:**

We acknowledge the CRETP's outcome described above, however, CRETP did not provide documentation to substantiate

the benefits the participants received from attending "Fright Night". For example, the CRETP did not provide documentation on how "Fright Night" activity achieved leadership development, team building, or independent thinking.

On May 6, 2010, CRETP provided copies of journal entries showing the WIA portion of the total trip cost was backed out of the WIA account and charged to a non-federal funding source. The CRETP's total cost of \$2,765 was based on 35 youth participants of which \$2003 was WIA funds for 21 participants. The remaining 14 participants were already paid for with non federal funds. The CRETP provided the numbers, journal entries, and sign-in sheets to document the cost of the trip mention above. We consider this finding resolved.

### **FINDING 3**

**Requirement:** WIA Section 117(b)(2)(A)(iii) states that the composition of the local Workforce Investment Board (WIB) shall include representatives of local labor organizations. 20 CFR 661.315(a) states that the local WIB must contain two or more members representing the categories described in WIA Section 117(b)(2)(A)(iii).

Workforce Investment Act Directive 06-21 states that at least 15 percent of local WIB members shall be representatives of labor organizations.

**Observation:** We found that the local WIB has a total of 30 members, but it has not appointed adequate labor representatives to ensure that labor union representation equals 15-percent of the WIB membership. Presently, the WIB has two labor representatives, and two more are needed to meet the 15- percent requirement. While CRETP provided documentation to demonstrate their efforts to appoint the required union representatives, the vacancies have existed since the release of WIAD06-21 on June 29, 2007.

**Recommendation:** We recommended that CRETP provide CRO with a CAP, including a timeline, showing the steps it will take to fill the required labor vacancies. Once filled, we recommended that CRETP provide CRO with a copy of an updated WIB roster.

**CRETP Response:** The CRETP stated that in their efforts to maintain the required level of local labor representation, they have made several attempts to invite individuals from their local unions to become a part of the Local Workforce Investment Board (LWIB). The

CRETP expects to have two additional union representatives approved by November 2009.

**State Conclusion:** On May 6, 2010, CRETP provided copies of WIB minutes where the two labor representatives were approved by the board and to show the vacancies have now been filled. We consider this finding resolved.

#### **FINDING 4**

**Requirement:** California Education Code Section 49160 states, in part, that no person, firm or corporation shall employ, suffer, or permit any minor under age of eighteen to work in or in connection with any establishment or occupation, except as provided in Section 49151, without a permit to employ, issued by the proper educational officers in accordance with law.

California Labor Code Section 1299 states, in part, every person, or agent or officer thereof, employing minors, either directly or indirectly through third persons, shall keep on file all permits and certificates, either to work or to employ.

**Observation:** We found that four of the 33 case files reviewed did not contain a work permit in the participant case file.

Subsequent to the on-site review, CRETP provided copies of work permits for the four cases mention above. We consider this finding resolved.

#### **FINDING 5**

**Requirement:** 20 CFR 667.600(b)(1) states, in part, that each local area, and direct recipient must provide information about the content of the grievance and complaint procedures required by this section to participants and other interested parties.

Directive WSD08-4(II) requires that a copy of an acknowledgement of receipt of the local grievance and complaint procedures shall be signed by the participant and included in each participant's case file.

**Observation:** We found that two of the 33 case files reviewed did not contain a grievance and complaint acknowledgement in the participant's case file.

Subsequent to the on-site review, CRETP provided the grievance and complaint acknowledgement for the two cases mentioned above. We consider this finding resolved.

#### **FINDING 6**

**Requirement:**

TEGLs 17-05 Change 1 states, in part, in regards to Testing Intervals: participant's indentified, as basic skilled deficient must post-test at least once by the end of year one following the individual's date of first youth program service.

Training and Employment Notice 07-05 states, in part, that youth programs must administer the same assessment tool to participants for pre-testing and post-testing.

**Observation:**

We found one case file did not contain a post-test.

Subsequent to the on-site review, CRETP provided a copy of the Test of Adult Basic Education (TABE) post-test for the case mentioned above. We consider this finding resolved.

#### **FINDING 7**

**Requirement:**

WIA Section 136(b)(2)(A)(iv) states, in part, that core indicators of performance for employment and training activities include the attainment of a recognized credential relating to the achievement of educational or occupational skills.

TEGL 17-05 states, in part, credential, a nationally recognized degree or certificate or state/locally recognized credential. Credentials include, but are not limited to, a high school diploma, GED, or other recognized equivalents, post-secondary degrees/certificates, recognized skill standards, and licensure or industry-recognized certificates.

**Observation:**

We found that four of the 33 case files reviewed did not contain a High School Diploma acknowledgement in the participant's case file to document the recorded outcome on the Job Training Automation Exit form.

Subsequent to the on-site review, CRETP provided copies of High School Diplomas for the four cases mentioned above. We consider this finding resolved.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. It is CRETP's responsibility to ensure that its systems, programs, and related activities comply with the WIA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain CRETP's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please call Ms. Mechelle Hayes at (916) 654-1292.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jessie Mar".

JESSIE MAR, Chief  
Compliance Monitoring Section  
Compliance Review Division

cc: Terri Austin, MIC 50  
Jose Luis Marquez, MIC 50  
Dathan O. Moore, MIC 50  
Daniel Patterson, MIC 45